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Russian Duma Revises Wine Definitions and Other Alcohol Rules

Report Categories:

Wine

Approved By:

Deanna Ayala

Prepared By:

Alla Putiy

Report Highlights:

In July 2011, the Russian Government amended its main alcohol regulation, Federal Law #171-FZ and many of those amendments were due to come into force as of July 1, 2012. Among them were changes to wine definitions that would have severely disrupted trade for most U.S. wine. At the last hour, the Duma passed an amendment that averted this crisis and the new definitions can be found in this report. Other notable changes have been made to the beer definition, minimum prices and excise tax rates, and sweeping restrictions on advertising.

General Information:

Wine Definitions

In July 2011, the Russian Government amended its main alcohol regulation, Federal Law #171-FZ, and many of those amendments were due to come into force as of July 1, 2012. Among them were changes to wine definitions that would have severely disrupted trade for most U.S. wine because most wine would have to be re-classified and therefore re-labeled and re-certified as a “wine beverage”. At the last hour, the Duma passed an amendment that averted this crisis. Below are the major changes to wine and wine-related definitions (note: not all changes are included) as of July, 1, 2012 per Federal Law #171-FZ dated November 22, 1995 On state regulations of production and turnover of ethyl alcohol and alcohol containing products and on limiting consumption (drinking) of alcohol containing products (as revised by Federal Law of July 18, 2012 #218-FZ (as amended of June 30, 2012)).

Article 2.

7) **alcoholic products**-food products which are produced with or without the use of ethyl alcohol, produced from food raw material and (or) alcohol-containing food products with content of ethyl alcohol more than 0.5 percent of finished product’s volume, with the exception of food products in accordance with the list established by the Government of the Russian Federation. Alcoholic products are divided into such types as alcoholic drinks (including vodka), **wine, fruit wine, liqueur wine**, sparkling wine (Champagne), **wine drinks**, beer and beverages, beer-based beverages; (as revised by Federal Law dated July 18, 2011 N 218-FZ)

11) **wine** - alcoholic products with content of ethyl alcohol from 8.5 (except wine with protected geographical indication or appellation of origin) to 16.5 (with the exception of table wine) percent of the finished product’s volume made as a result of whole or partial fermentation of berries of fresh grapes, grape must without the addition of ethyl alcohol, as well as without the addition (with the exception of table wine) of concentrated grape must and (or) rectified concentrated grape must. Wine with a protected geographical indication or appellation of origin protected can have content of ethyl alcohol not less than 4.5 percent of finished product’s volume. Content of ethyl alcohol in table wine shall not exceed 15 percent of finished product’s volume. In the production of table wine concentrated grape must and (or) rectified concentrated grape must may be added to increase the content of ethyl alcohol (enrichment) or sweetening. At enrichment or sweetening adding concentrated grape must or rectified concentrated grape must in quantity which can increase the content of ethyl alcohol in the finished product not more than 4 percent. In the production of table wine enrichment is carried out by adding concentrated grape must and (or) rectified concentrated grape must in the grape must, subject to partial fermentation or wine in which the fermentation process is not finished, and sweetening at any stage of the process before bottling. (as revised by Federal Law dated July 18, 2011 N 218-FZ (as amended of June 30, 2012))

12.1) **liqueur wine** - alcohol product with a volume of ethyl alcohol from 15% to 22% which is produced via the whole or partial fermentation of crushed grapes, other fruits or grape or fruit must with or without the addition of concentrated grape must or fruit must, or strengthened concentrated grape or fruit must, without the addition of ethyl alcohol with or without the addition of wine distillate or

strengthened wine distillate, grape distillate or strengthened grape distillate or fruit distillate; (as revised by Federal Law dated July 18, 2011 N 218-FZ)

12.2) **fruit wine** - alcohol product with a volume of ethyl alcohol from 6% to 15% produced in whole or in part via the fermentation of crushed fresh fruit of one kind or several kinds of fruit or mash with or without the addition of sugar-containing products, without the addition of ethyl alcohol; (as revised by Federal Law dated July 18, 2011 N 218-FZ)

12.3) **wine beverage** - means alcoholic products containing from 1.5 to 22 percent of ethyl alcohol in the whole volume of finished product, saturated or not saturated with carbon dioxide, containing at least 50 percent of wine materials with or without adding rectified ethyl alcohol, manufactured from edible raw material, and (or) fortified must (made from grape or other fruits), and (or) wine distillate, and (or) fruit distillate, and (or) sugar-containing products, and (or) flavors and flavor additives, and (or) food colors, and (or) water; (as revised by Federal Law dated July 18, 2011 N 218-FZ)

13) **wine materials** - alcoholic beverages with an ethyl alcohol content of up to 22 percent by volume made as a result of the full or incomplete alcoholic fermentation of grapes, fruit, or concentrated grape must, or fruit must, rectified concentrated grape must, or fruit must, without the addition of ethyl alcohol, excluding wine distillate or rectified wine distillate, designated for producing of different wine products which shall not be sold to the public as a finished product; (as revised by Federal Law dated July 18, 2011 N 218-FZ)

Due to changes in definitions of wine and other certain types of alcohol products (Article 2, paragraph 7) in the Federal Law #171-FZ since July 1, 2012, producers, importers, wholesalers and distributors should apply to re-issue their license for each type of wine. Alcohol licenses will be re-issued by the Federal Service on Regulation of Alcohol Market (FSRAR) for the same period as the existing license. Alcohol license re-issuance costs 2000 rubles (approximately \$61).

Beer Definition

Federal Law #171-FZ as amended in July 2011 changed the status of beer effective July 1, 2012. As of that date, beer is now classified as an alcoholic drink. Federal Law #171-FZ now covers beer and products based on beer. According to the law, there is a ban on sales of beer above 5abv at night and in non-stationary outlets. Additional specifications for trade outlets and shops selling alcohol are set as: not less than 50 sq. m. in cities and 25 sq. m. in the country.

New Standards to Match New Definitions

In order to harmonize existing national standards on alcohol products with the requirements of the amendments to Federal Law #171 which came into force on July 1, 2012, the Federal Agency on Technical Regulation and Metrology made the appropriate amendments to the following Russian State Standards (GOSTs) related wine and beer in June 2012, which came into force on July 1, 2012.

- [ГОСТ Р 53358-2009 «Продукты пивоварения. Термины и определения»](#): “Brewing products. Terminology and definitions”

- [ГОСТ Р 52195-2003 «Вина ароматизированные. Общие технические условия»](#): “Aromatized wine. General specification”
- [ГОСТ Р 52558-2006 «Вина газированные и вина газированные жемчужные. Общие технические условия»](#): “Sparkling wine and sparkling pearl wine. General specification”
- [ГОСТ Р 52335-2005 «Продукция винодельческая. Термины и определения»](#): “Winemaking products. Terminology and definition”
- [ГОСТ Р 51159-2009 «Напитки винные. Общие технические условия»](#): “Wine beverages. General specification”
- [ГОСТ Р 52404-2005 «Вина специальные и виноматериалы специальные. Общие технические условия»](#): “Special wine and special wine materials. General specification”
- [ГОСТ Р 52836-2007 «Вина плодовые столовые и виноматериалы плодовые столовые. Общие технические условия»](#): “Fruit table wine and fruit table wine materials”
- [ГОСТ Р 52523-2006 «Вина столовые и виноматериалы столовые. Общие технические условия»](#): “Table wine and table wine materials. General specification”

Minimum Prices

Other recent changes in alcohol regulations include new minimum prices on vodka (hard liquors), brandy, cognacs and ethyl spirit as of July 1st, 2012. Minimum prices are set by the Federal Service for Regulation of the Alcohol Market (FSRAM):

- the minimum prices on vodka (per 0.5 liter bottle) are as follows: 99 rubles at the producer level; 109 rubles at the wholesale level and 125 rubles at retail;
- the minimum prices on brandy (per 0.5 liter bottle) are as follows: 151 rubles at the producer level; 166 rubles at the wholesale level and 190 rubles at retail;
- the minimum cognac prices (per 0.5 liter bottle) are as follows: 174 rubles at the producer level; 191 rubles at the wholesale level and 219 rubles at retail;
- the minimum purchase price for a deciliter of ethyl spirit at ethyl spirit producer level is set at 350 rubles.

Before July 1, 2012 the minimum retail price for a 0.5 liter bottle of vodka was set at 98 rubles (28% increase since July 1, 2012), 165 rubles for the same sized bottle of brandy (15% increase since July 1, 2012), and 193 rubles for the same bottle of cognac (14% increase since July 1, 2012) in retail.

It is the first time that FSRAM has increased minimum prices midyear – as of July 1st, instead of January 1st as is the usual practice. This is related to the increase of excise tax rates – the second time this year for the first time in Russian history.

Excise Tax Rates, Rubles per liter of ethyl alcohol content

Product	2011	2012(I) Jan- June	% 2012(I)/2011	2012(II) July-Dec, 31	% 2012(II)/2012(I)
Spirits of more than 9 percent ethyl alcohol	231	254	10	300	18
Spirits of 9 percent and less	190	230	21	270	17.4
Table wine	5	6	20	6	
Sparkling wine	18	22	22.2	22	

Beer with 8.6 percent or less ethyl alcohol	10	12	20	12	
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Excise Stamps

Given the above changes to definitions, the excise stamp regime must also be changed in tandem. The Draft RF Government Resolution on excise stamps which amends RF Government Resolutions of 2005 #786 and #866 was put on hold by the Apparatus of the RF Government. Despite the arrival of the July 1st deadline, the RF Government did not adopt its Resolutions on new specimens neither for excise stamps (for importers), nor for Special Federal stamps (for domestic producers).

While there is still considerable time left until the introduction of new stamps for importers and the beginning of their issuance (set for January 1, 2013 – according to the available Draft RF Government Resolution), market operators are beginning to get nervous: will the adopted Resolutions provide for the same more or less favorable conditions and deadlines as the existing Drafts? And will there be enough time left for the Russian Government Print Shop (GOZNAK) to print the new stamps?

Advertising

On July 6, 2012 the State Duma approved a Draft Law which bans alcohol advertising on websites registered as mass media portals. This actually means a near complete ban on alcohol advertising given that earlier amendments adopted last July provide for a ban on alcohol advertising in public transport buildings (airports, railway stations and other transportation hubs). The law will come into effect July 23, 2012. The only exception is for retail outlets where advertising will still be allowed. However, it is forbidden to use images of people and animals in alcohol advertising including those in cartoons.